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<p align="center">State Bar Court of California Hearing Department Los Angeles DISBARMENT</p> <p align="right">PUBLIC MATTER</p>		
<p>Counsel For The State Bar</p> <p>Jessica A. Lienau 1149 S. Hill Street Los Angeles, CA 90015 (213) 765-1165</p> <p>Bar # 269753</p>	<p>Case Number(s): 11-O-14345</p>	<p>For Court use only</p> <p align="center">FILED MAY 16 2012 STATE BAR COURT CLERK'S OFFICE LOS ANGELES</p>
<p>In Pro Per Respondent</p> <p>Kendall R. Paulson The Paulson Law Firm 620 Newport Center Dr. Ste. 1100 Newport Beach, CA 92660 (949) 533-2475</p> <p>Bar # 120688</p>	<p>Submitted to: Settlement Judge</p> <p>STIPULATION RE FACTS, CONCLUSIONS OF LAW AND DISPOSITION AND ORDER APPROVING; ORDER OF INVOLUNTARY INACTIVE ENROLLMENT</p> <p>DISBARMENT</p> <p><input type="checkbox"/> PREVIOUS STIPULATION REJECTED</p>	
<p>In the Matter of: KENDALL R. PAULSON</p> <p>Bar # 120688</p> <p>A Member of the State Bar of California (Respondent)</p>		

Note: All information required by this form and any additional information which cannot be provided in the space provided, must be set forth in an attachment to this stipulation under specific headings, e.g., "Facts," "Dismissals," "Conclusions of Law," "Supporting Authority," etc.

A. Parties' Acknowledgments:

- (1) Respondent is a member of the State Bar of California, admitted December 16, 1985.
- (2) The parties agree to be bound by the factual stipulations contained herein even if conclusions of law or disposition are rejected or changed by the Supreme Court.
- (3) All investigations or proceedings listed by case number in the caption of this stipulation are resolved by this stipulation and are deemed consolidated. Dismissed charge(s)/count(s) are listed under "Dismissals." The stipulation consists of (12) pages, not including the order.
- (4) A statement of acts or omissions acknowledged by respondent as cause or causes for discipline is included under "Facts."

(Effective January 1, 2011)

- (5) Conclusions of law, drawn from and specifically referring to the facts are also included under "Conclusions of Law."
- (6) The parties must include supporting authority for the recommended level of discipline under the heading "Supporting Authority."
- (7) No more than 30 days prior to the filing of this stipulation, respondent has been advised in writing of any pending investigation/proceeding not resolved by this stipulation, except for criminal investigations.
- (8) Payment of Disciplinary Costs—Respondent acknowledges the provisions of Bus. & Prof. Code §§6086.10 & 6140.7. (Check one option only):
- ☒ Costs to be awarded to the State Bar.
- ☐ Costs are waived in part as set forth in a separate attachment entitled "Partial Waiver of Costs".
- ☐ Costs are entirely waived.
- (9) ORDER OF INACTIVE ENROLLMENT:
The parties are aware that if this stipulation is approved, the judge will issue an order of inactive enrollment under Business and Professions Code section 6007, subdivision (c)(4), and Rules of Procedure of the State Bar, rule 5.111(D)(1).

B. Aggravating Circumstances [for definition, see Standards for Attorney Sanctions for Professional Misconduct, standard 1.2(b)]. Facts supporting aggravating circumstances are required.

- (1) ☐ **Prior record of discipline**
- (a) ☐ State Bar Court case # of prior case
- (b) ☐ Date prior discipline effective
- (c) ☐ Rules of Professional Conduct/ State Bar Act violations:
- (d) ☐ Degree of prior discipline
- (e) ☐ If respondent has two or more incidents of prior discipline, use space provided below:
- (2) ☐ **Dishonesty:** Respondent's misconduct was surrounded by or followed by bad faith, dishonesty, concealment, overreaching or other violations of the State Bar Act or Rules of Professional Conduct.
- (3) ☒ **Trust Violation:** Trust funds or property were involved and respondent refused or was unable to account to the client or person who was the object of the misconduct for improper conduct toward said funds or property. Respondent's refusal or inability to account for the funds given to him by Lovegren is a serious aggravating circumstance given that Respondent misappropriated approximately \$95,000 of the funds that he was entrusted to hold on behalf of Lovegren.
- (4) ☒ **Harm:** Respondent's misconduct harmed significantly a client, the public or the administration of justice. Respondent's misconduct caused harm to his client in that \$95,000 of the client's funds were misappropriated.

- (5) ☒ **Indifference:** Respondent demonstrated indifference toward rectification of or atonement for the consequences of his or her misconduct. Respondent has made no effort to repay any portion of the \$95,000 that Respondent misappropriated to Lovegren.
- (6) ☐ **Lack of Cooperation:** Respondent displayed a lack of candor and cooperation to victims of his/her misconduct or to the State Bar during disciplinary investigation or proceedings.
- (7) ☐ **Multiple/Pattern of Misconduct:** Respondent's current misconduct evidences multiple acts of wrongdoing or demonstrates a pattern of misconduct.
- (8) ☐ **No aggravating circumstances** are involved.

Additional aggravating circumstances:

C. Mitigating Circumstances [see standard 1.2(e)]. Facts supporting mitigating circumstances are required.

- (1) ☐ **No Prior Discipline:** Respondent has no prior record of discipline over many years of practice coupled with present misconduct which is not deemed serious.
- (2) ☐ **No Harm:** Respondent did not harm the client or person who was the object of the misconduct.
- (3) ☐ **Candor/Cooperation:** Respondent displayed spontaneous candor and cooperation with the victims of his/her misconduct and to the State Bar during disciplinary investigation and proceedings.
- (4) ☐ **Remorse:** Respondent promptly took objective steps spontaneously demonstrating remorse and recognition of the wrongdoing, which steps were designed to timely atone for any consequences of his/her misconduct.
- (5) ☐ **Restitution:** Respondent paid \$ _____ on _____ in restitution to _____ without the threat or force of disciplinary, civil or criminal proceedings.
- (6) ☐ **Delay:** These disciplinary proceedings were excessively delayed. The delay is not attributable to respondent and the delay prejudiced him/her.
- (7) ☐ **Good Faith:** Respondent acted in good faith.
- (8) ☐ **Emotional/Physical Difficulties:** At the time of the stipulated act or acts of professional misconduct respondent suffered extreme emotional difficulties or physical disabilities which expert testimony would establish was directly responsible for the misconduct. The difficulties or disabilities were not the product of any illegal conduct by the member, such as illegal drug or substance abuse, and respondent no longer suffers from such difficulties or disabilities.
- (9) ☐ **Severe Financial Stress:** At the time of the misconduct, respondent suffered from severe financial stress which resulted from circumstances not reasonably foreseeable or which were beyond his/her control and which were directly responsible for the misconduct.
- (10) ☐ **Family Problems:** At the time of the misconduct, respondent suffered extreme difficulties in his/her personal life which were other than emotional or physical in nature.
- (11) ☐ **Good Character:** Respondent's good character is attested to by a wide range of references in the legal and general communities who are aware of the full extent of his/her misconduct.

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- (12) ☐ **Rehabilitation:** Considerable time has passed since the acts of professional misconduct occurred followed by convincing proof of subsequent rehabilitation.
- (13) ☐ **No mitigating circumstances** are involved.

Additional mitigating circumstances:

Respondent has no prior record of discipline in over 25 years of practice.

D. Discipline: Disbarment.

E. Additional Requirements:

- (1) **Rule 9.20, California Rules of Court:** Respondent must comply with the requirements of rule 9.20, California Rules of Court, and perform the acts specified in subdivisions (a) and (c) of that rule within 30 and 40 calendar days, respectively, after the effective date of the Supreme Court's Order in this matter.
- (2) ☒ **Restitution:** Respondent must make restitution to Carl Lovegren in the amount of \$ 95,000.00 plus 10 percent interest per year from December 10, 2008. If the Client Security Fund has reimbursed for all or any portion of the principal amount, respondent must pay restitution to CSF of the amount paid plus applicable interest and costs in accordance with Business and Professions Code section 6140.5. Respondent must pay the above restitution and furnish satisfactory proof of payment to the State Bar's Office of Probation in Los Angeles no later than N/A days from the effective date of the Supreme Court order in this case.
- (3) ☐ **Other:**

IN THE MATTER OF: KENDALL R. PAULSON

CASE NUMBER(S): 11-O-14345

Respondent pleads nolo contendere to the following facts and violations. Respondent completely understands that the plea for nolo contendere shall be considered the same as an admission of the stipulated facts and of his culpability of the statutes and/or Rules of Professional Conduct specified herein.

7. Between December 19, 2008 and January 20, 2009, the balance in his CTA fell below \$40,000 on repeated dates, including, but not limited to, the following:

December 19, 2008, \$2,142.50;
December 29, 2008, \$1,142.50;
December 31, 2008, \$42.50;
January 2, 2009, \$42.02; and
January 20, 2009, \$2.02.

8. On February 5, 2009, the Superior Court, in Case No. 06CC10133, *Stafford v. Lovegren*, entered final judgment against Lovegren in the amount of \$205,833.34 plus ten percent interest per annum from February 5, 2009 because Lovegren failed to timely comply with the December 2007 Settlement Agreement.

9. In June 2009, Respondent represented to Lovegren that the plaintiffs would accept \$109,600 plus daily interest from June 30, 2009 in full settlement of the *Stafford v. Lovegren* matter.

10. On June 27, 2009, Lovegren caused \$80,000 to be paid to Respondent to pay the judgment in *Stafford v. Lovegren*. Of the \$80,000, \$70,000 was to be added to the \$40,000 Lovegren already paid to Respondent and \$10,000 was to be paid to Respondent as attorneys fees. The check was made payable to the "Paulson Law Firm" and the memo section stated "Stafford settlement." Respondent received the \$80,000. On June 30, 2009, Respondent caused the \$80,000 to be deposited into his CTA.

11. Respondent was required to maintain in his CTA the approximate sum of \$70,000, as Respondent was entitled to \$10,000 of the funds as attorney fees.

12. On June 29, 2009, Respondent sent a letter to Lovegren that stated that: (a) "the initial \$40,000 payment remained in [his] possession"; (b) should the plaintiffs in *Stafford v. Lovegren* back out of the agreement, Respondent would return the \$120,000 that was "in [his] possession" within 48 hours notice; and (c) "from the \$120,000, [Respondent would] pay [to the plaintiffs] the sum of \$109,600, plus daily interest from June 30, 2009, and retain the net balance of approximately \$10,000 as payment of legal fees." Lovegren received the letter. At the time that he prepared and sent the June 29, 2009 letter to Lovegren, the statements made in the letter were false because Respondent withdrawn the approximate sum of \$39,997.98 by January 20, 2009. At the time he prepared and sent the letter, Respondent knew or was grossly negligent in not knowing the statements made in the letter were false.

13. Between June 30, 2009 and February 28, 2010, the balance in his CTA fell below \$70,000 on repeated dates, including, but not limited to, the following:

July 1, 2009, \$60,000.24;
September 30, 2009, \$50,588.73;
October 31, 2009, \$38,429.99;
November 30, 2009, \$14,040.07;
December 31, 2009, \$1,379.41;
January 31, 2010, \$28.56; and
February 28, 2010, \$3.48.

14. In November 2009, the plaintiffs in *Stafford v. Lovegren* hired attorney James L. Meier ("Meier") to collect the settlement funds, which amount had increased from \$95,000 to \$205,833.34.

15. In November 2009, Meier and Respondent agreed that the parties would execute an "Amended and Restated Settlement Agreement and Mutual Release of All Claims" ("Amended Settlement Agreement") that stated that Lovegren would pay \$15,000 contemporaneously with the execution of the Amended Settlement Agreement, \$125,000 on or before December 31, 2009, and \$35,000 on or before January 31, 2010, in exchange for a reduction in the amount due from \$205,833.34 to \$175,000.

16. On November 20, 2009, Respondent provided the executed Amended Settlement Agreement to Meier. Lovegren's purported signature was affixed in three places to the Amended Settlement Agreement. Respondent caused the Amended Settlement Agreement to bear the simulated signature of Lovegren; however, Lovegren did not sign nor authorize his signature to be affixed to it. At the time that Respondent provided the Amended Settlement Agreement to Meier, Respondent knew or was grossly negligent in not knowing that Lovegren did not sign, authorize his signature to be affixed to the documents, or know about the Amended Settlement Agreement or purported settlement.

17. On November 20, 2009, Respondent caused a \$15,000 payment be paid to Meier pursuant to the Amended Settlement Agreement, but failed to cause the payments of \$125,000 to be made by on or before December 31, 2009, and \$35,000 to be made by on or before January 31, 2010.

18. In October 2010, Lovegren was served with a Notice of Judgment Debtor Examination by the plaintiffs in *Stafford v. Lovegren*. In October 2010, Lovegren called Respondent and inquired why he was being served with a Notice of Judgment Debtor Examination in *Stafford v. Lovegren*, because the matter had been settled and Lovegren had paid the settlement in full to Respondent. On October 18, 2010, Respondent sent an email to Lovegren that stated that Respondent had called Meier, and that Lovegren should ignore the Notice of Judgment Debtor Examination, and that Respondent would explain at a later date.

19. On October 18, 2010, Respondent told Meier that he would meet Meier at the Superior Court and pay the judgment. Meier waited for Respondent to appear and pay, but Respondent failed to appear.

20. On October 26, 2010, Respondent sent an email to Lovegren that stated that Respondent had spoken with Meier, the Judgment Debtor Examination was off-calendar, and Respondent would call Lovegren later in the week and the matter would be resolved. On October 28, 2010, Lovegren sent an email to Respondent that suggested that Respondent get the Superior Court to "step in on [his] behalf" because it was the third time that the plaintiffs had backed out of their signed agreement and Lovegren had "paid [the plaintiffs] in full."

21. Between October 2010 and December 2010, Respondent called Meier and continued the Judgment Debtor Examination in *Stafford v. Lovegren* approximately three times. Respondent repeatedly told Meier that he had to continue the Judgment Debtor Examination because Lovegren was concerned that he would be arrested if he appeared.

22. On December 2, 2010, a hearing was held in *Stafford v. Lovegren*. Meier appeared on behalf of the plaintiffs and Respondent appeared on behalf of Lovegren. During the hearing, Respondent told the Court that Lovegren was using his best efforts to obtain the funds to pay the judgment, but needed additional time. At the time that Respondent made that statement to the Court, the statement was a false statement because Respondent had previously received and deposited the \$120,000 from Lovegren to

pay the judgment into his CTA, but had misappropriated it. Respondent knew or was grossly negligent in not knowing that the statement was a false statement at the time he made it.

23. Between December 3, 2010 and December 5, 2010, Lovegren and Respondent exchanged emails. Respondent repeatedly assured Lovegren that the matter was being taken care of and that the Judgment Debtor Examination was off-calendar. At the time that Respondent sent the emails to Lovegren stating and/or implying that: Lovegren could ignore the Judgment Debtor Examination; the Judgment Debtor Examination was off-calendar; and Respondent had paid the judgment in *Stafford v. Lovegren*, those statements were false. Respondent knew or was grossly negligent in not knowing that the statement was false at the time that he made it.

24. Respondent failed to maintain the approximate sum of \$110,000 in his CTA.

25. Respondent dishonestly or with gross negligence misappropriated the approximate sum of \$95,000.00 held in trust for Lovegren (\$120,000 received from Lovegren - \$10,000 in attorneys fees - \$15,000 payment to the plaintiffs).

CONCLUSIONS OF LAW:

26. By not maintaining at least \$110,000 received on behalf of Lovegren in his CTA, Respondent willfully violated Rules of Professional Conduct, rule 4-100(A) by failing to maintain client funds in a trust account.

27. By misrepresenting in the June 29, 2009 letter that the "the initial \$40,000 payment remained in [his] possession," Respondent committed an act involving moral turpitude, dishonesty or corruption in wilful violation of Business and Professions Code, section 6106.

28. By causing the Amended Settlement Agreement to be provided to Meier when he knew or was grossly negligent in not knowing that Lovegren neither signed nor authorized his signature to be affixed to the documents, Respondent committed acts involving moral turpitude, dishonesty or corruption in wilful violation of Business and Professions Code, section 6106.

29. By misrepresenting to the Superior Court that the judgment had not been paid because Lovegren was using his best efforts to obtain the funds to pay the judgment, but needed additional time, when Respondent had misappropriated the funds, Respondent committed an act involving moral turpitude, dishonesty or corruption in wilful violation of Business and Professions Code, section 6106.

30. By misrepresenting the status of the Judgment Debtor Examination and the payment of the judgment in *Stafford v. Lovegren*, Respondent committed acts involving moral turpitude, dishonesty or corruption in wilful violation of Business and Professions Code, section 6106.

31. By misappropriating the approximate sum of \$95,000.00 held in trust for Lovegren, Respondent committed acts involving moral turpitude, dishonesty, or corruption in wilful violation of Business and Professions Code, section 6106.

PENDING PROCEEDINGS.

The disclosure date referred to, on page 2, paragraph A(7), was May 8, 2012.

AUTHORITIES SUPPORTING DISCIPLINE.

Standard 1.3, Title IV, Standards for Attorney Sanctions for Professional Misconduct, provides that the primary purposes of the disciplinary system are: "the protection of the public, the courts and the legal profession; the maintenance of high professional standards by attorneys and the preservation of public confidence in the legal profession."

Standard 1.6 holds that both aggravating and mitigating factors should be considered when determining the appropriate level of discipline. Standard 1.6 also holds that when the Standards call for different levels of discipline in the same matter, the most severe level is the appropriate level of discipline.

Standard 1.7(c) states that a prior record of discipline is not a prerequisite for disbarment.

Standard 2.2(a) holds that a wilful misappropriation of entrusted funds shall result in disbarment. Only if the amount of funds misappropriated is insignificantly small or the most compelling mitigating circumstances predominate shall disbarment not be imposed. In those cases, the discipline shall not be less than a one year actual suspension. In Respondent's matter, the amount is \$95,000 misappropriated, which is not insignificantly small. Respondent has not shown any evidence of mitigating factors, let alone predominating ones.

Standard 2.3 holds that an act of moral turpitude warrants discipline ranging from actual suspension to disbarment, depending on the extent to which the victim of the misconduct is harmed or misled and depending on the magnitude of the misconduct and the degree to which it relates to the attorney's acts within the practice of law. Respondent's misrepresentations were to both his client, Lovegren, and the Court, both of which are related to the practice of law.

Discipline consisting of disbarment with restitution conditions is consistent with both the Standards, *supra.*, and case law. (See *Grim v. State Bar* (1991) 53 Cal. 3d 21; *Chang v. State Bar* (1989) 49 Cal. 3d 114.)

COSTS OF DISCIPLINARY PROCEEDINGS.

Respondent acknowledges that the Office of the Chief Trial Counsel has informed respondent that as of May 8, 2012, the prosecution costs in this matter are \$6,779.00. Respondent further acknowledges that should this stipulation be rejected or should relief from the stipulation be granted, the costs in this matter may increase due to the cost of further proceedings.

In the Matter of: KENDALL R. PAULSON	Case Number(s): 11-O-14345
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Nolo Contendere Plea Stipulations to Facts, Conclusions of Law, and Disposition

The terms of pleading nolo contendere are set forth in the Business and Professions Code and the Rules of Procedures of the State Bar. The applicable provisions are set forth below:

Business and Professions Code § 6085.5 Disciplinary Charges; Pleas to Allegations

There are three kinds of pleas to the allegations of a notice of disciplinary charges or other pleading which initiates a disciplinary proceeding against a member:

- (a) Admission of culpability.
- (b) Denial of culpability.
- (c) Nolo contendere, subject to the approval of the State Bar Court. The court shall ascertain whether the member completely understands that a plea of nolo contendere will be considered the same as an admission of culpability and that, upon a plea of nolo contendere, the court will find the member culpable. The legal effect of such a plea will be the same as that of an admission of culpability for all purposes, except that the plea and any admissions required by the court during any inquiry it makes as to the voluntariness of, or the factual basis for, the pleas, may not be used against the member as an admission in any civil suit based upon or growing out of the act upon which the disciplinary proceeding is based.

Rules of Procedure of the State Bar, rule 5.56. Stipulations to Facts, Conclusions of Law, and Disposition

"(A) Contents. A proposed stipulation to facts, conclusions of law, and disposition must comprise:

[¶] . . . [¶]

(5) a statement that the member either:

- (a) admits the truth of the facts comprising the stipulation and admits culpability for misconduct; or
- (b) pleads nolo contendere to those facts and misconduct;

[¶] . . . [¶]

(B) Plea of Nolo Contendere. If the member pleads nolo contendere, the stipulation must also show that the member understands that the plea is treated as an admission of the stipulated facts and an admission of culpability."

I, the Respondent in this matter, have read the applicable provisions of Business and Professions Code section 6085.5 and rule 5.56 of the Rules of Procedure of the State Bar. I plead nolo contendere to the charges set forth in this stipulation and I completely understand that my plea will be considered the same as an admission of culpability except as stated in Business and Professions Code section 6085.5(c).

5/9/12
Date


Respondent's Signature

Kendall R. Paulson
Print Name

In the Matter of: KENDALL R. PAULSON	Case number(s): 11-O-14345
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By their signatures below, the parties and their counsel, as applicable, signify their agreement with each of the recitations and each of the terms and conditions of this Stipulation Re Facts, Conclusions of Law, and Disposition.

5/9/12
Date

Respondent's Signature

Kendall R. Paulson
Print Name

Date _____

Respondent's Counsel Signature

Print Name

5/11/12
Date

Deputy Trial Counsel's Signature

Jessica A. Lienau
Print Name

(Do not write above this line.)

In the Matter of:
KENDALL R. PAULSON

Case Number(s):
11-O-14345

DISBARMENT ORDER

Finding the stipulation to be fair to the parties and that it adequately protects the public, IT IS ORDERED that the requested dismissal of counts/charges, if any, is GRANTED without prejudice, and:

- ☒ The stipulated facts and disposition are APPROVED and the DISCIPLINE RECOMMENDED to the Supreme Court.
- ☐ The stipulated facts and disposition are APPROVED AS MODIFIED as set forth below, and the DISCIPLINE IS RECOMMENDED to the Supreme Court.
- ☐ All Hearing dates are vacated.

The parties are bound by the stipulation as approved unless: 1) a motion to withdraw or modify the stipulation, filed within 15 days after service of this order, is granted; or 2) this court modifies or further modifies the approved stipulation. (See rule 5.58(E) & (F), Rules of Procedure.) **The effective date of this disposition is the effective date of the Supreme Court order herein, normally 30 days after file date. (See rule 9.18(a), California Rules of Court.)**

Respondent Kendall R. Paulson is ordered transferred to involuntary inactive status pursuant to Business and Professions Code section 6007, subdivision (c)(4). Respondent's inactive enrollment will be effective three (3) calendar days after this order is served by mail and will terminate upon the effective date of the Supreme Court's order imposing discipline herein, or as provided for by rule 5.111(D)(2) of the Rules of Procedure of the State Bar of California, or as otherwise ordered by the Supreme Court pursuant to its plenary jurisdiction.

5/15/12
Date


DONALD F. MILES
Judge of the State Bar Court

CERTIFICATE OF SERVICE

[Rules Proc. of State Bar; Rule 5.27(B); Code Civ. Proc., § 1013a(4)]

I am a Case Administrator of the State Bar Court of California. I am over the age of eighteen and not a party to the within proceeding. Pursuant to standard court practice, in the City and County of Los Angeles, on May 16, 2012, I deposited a true copy of the following document(s):
STIPULATION RE FACTS, CONCLUSIONS OF LAW AND DISPOSITION AND ORDER APPROVING

in a sealed envelope for collection and mailing on that date as follows:

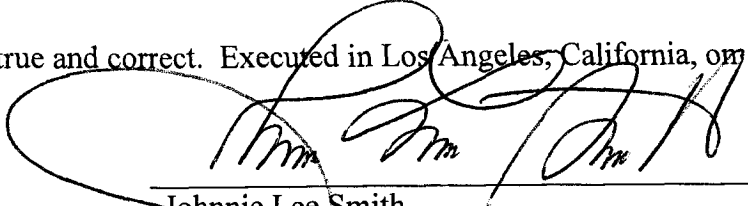
- ☒ by first-class mail, with postage thereon fully prepaid, through the United States Postal Service at Los Angeles, California, addressed as follows:

KENDALL RICHARD PAULSON
THE PAULSON LAW FIRM
620 NEWPORT CENTER DR STE 1100
NEWPORT BEACH, CA 92660

- ☒ by interoffice mail through a facility regularly maintained by the State Bar of California addressed as follows:

Jessica A. Lienau, Enforcement, Los Angeles

I hereby certify that the foregoing is true and correct. Executed in Los Angeles, California, on May 16, 2012.



Johnnie Lee Smith
Case Administrator
State Bar Court